

Ego-utility and Endogenous Information Acquisition; An Experimental Study

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Abstract

This paper examines endogenous decisions to acquire useful information. My experimental design tries to test predictions of ego-utility theories and other relevant theories about the decision-making process of agents in the environment with costless signals. Only slightly more than half of the subjects acquired an optimal number of the signals for payoff maximization. The results suggest that for the subjects making sub-optimal decisions, aversion to cognitive dissonance is the prevalent channel. Contrary to this, I find much less support for the ego-utility theory and theory of information ignorance in my setting. The availability of information alone does not automatically lead to an improvement in decisions.

Keywords: information acquisition, experiment, overconfidence

JEL Classification: C91, D03

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